



STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

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January 29, 2004

TO:

The Honorable Joseph Zarelli, Chair Senate Ways and Means Committee	The Honorable Margarita Prentice Senate Ways and Means Committee
The Honorable Mike Hewitt Senate Ways and Means Committee	The Honorable Darlene Fairley Senate Ways and Means Committee
The Honorable Helen Sommers, Chair House Appropriations Committee	The Honorable Barry Sehlin House Appropriations Committee
The Honorable Hans Dunshee, Chair House Capital Budget Committee	The Honorable Gary Alexander House Capital Budget Committee
The Honorable Jim Horn, Chair Senate Highways and Transportation Committee	The Honorable Ed Murray House Transportation Committee

FROM: Marty Brown, Director

SUBJECT: ADDITIONAL 2004 SUPPLEMENTAL BUDGET INFORMATION

The following modifications add to information contained in my January 14 letter on revisions to the Governor's 2004 supplemental budget proposal:

Department of Agriculture BSE Update

State and federal investigations are continuing into the discovery of a Washington state dairy cow infected with Bovine Spongiform Encephalopathy (BSE), also known as mad cow disease. In the Office of Financial Management's January 14 letter to legislative fiscal committee leadership, an initial \$400,000 above the December budget (of \$380,000) was requested for the state Department of Agriculture's BSE response. The department has refined its estimate of the resources needed, and is requesting an additional \$329,000 GFS, bringing the total funding request to \$1,109,000. The additional funding provides ongoing support for increased food safety and commercial feed inspections, policy and investigative work on animal identification, and legal costs. Although the livestock identification and commercial feed inspection activities are traditionally funded through fees deposited into the nonappropriated Agricultural Local Account, given the urgency of the need we are proposing the use of state General Fund in this instance.

Office of Administrative Hearings Unemployment Insurance Appeals

A new forecast of unemployment insurance appeals assumes significantly fewer appeals, reducing required expenditures by 12.7 FTEs and \$2.5 million.

Department of Licensing Enterprise Disaster Recovery Center

The Department of Licensing (DOL) intends to partner with the Washington State Patrol and the Department of Transportation to create an enterprise level disaster recovery site to ensure that mission-critical information technology services are maintained during business interruptions or services outages resulting from natural or man-made disasters. Funding of \$4,000 GFS and \$480,000 in other funds represents the first phase of a two-phase project synchronized to the ongoing migration of DOL applications from legacy to state-of-the-art systems.

DSHS Mental Health Division; Federal Balanced Budget Act Requirements

Additional expenditures of \$520,000 GFS and \$780,000 federal funds are necessary to comply with federal Balanced Budget Act (BBA) requirements. The federal Centers for Medicaid and Medicare Services (CMS) has recently informed the state it must fully comply with BBA requirements before CMS will renew the mental health managed care waiver the state is expecting in March of this year. Approval of the waiver is worth approximately \$175 million per year in federal revenues. New costs include production and mailing of an informational brochure explaining mental health benefits to all Medicaid recipients, and expenses for retaining independent quality review consultants. Both will become ongoing costs.

DSHS Special Commitment Center Population Savings

The current population census reflects lower populations in both the Special Commitment Center and the Secure Community Transition Facilities, reducing required expenditures by \$2.4 million GFS.

DSHS Child Support Enforcement Prosecuting Attorney Rate Increase

DSHS contracts with King and Pierce counties to prosecute support enforcement cases at a rate based on attorney salary and benefit costs. The department recently learned that these counties increased all prosecuting attorney salaries effective January 1, 2004, which included the support enforcement attorneys, thus increasing the cost of the contract. This adds \$612,000 GFS and \$1,188,000 Federal to the budget.

DSHS Medical Management Information System Replacement

The enacted budget contained funding for the first phase of the replacement of the Medicaid Management Information System (MMIS). The funding was for assessment, requirements analysis, and development of planning documents. The department was to return to the Legislature and the Information Services Board in December 2003 with a report describing system needs and replacement costs, and to request additional funding for the onset of the actual procurement of a replacement system.

The department has a preliminary requirements analysis, but all associated costs will not be known until the Request for Proposal (RFP) is complete in Fall 2004. Current estimates, based on an updated timeline, indicate a need for additional funding of \$1.679 million GFS and \$15.107 million Federal. Availability of the appropriation will enable the project to sustain its progress pending approval by the Information Services Board.

DSHS Agency-Wide Labor and Industries Rate Correction

The Department of Labor and Industries has provided workers compensation rate change estimates for DSHS, adding \$283,000 GFS and \$37,000 Federal to the budget. The original estimate was based on incomplete rate class codes.

Additional funding due to ISRP project delay in the Health Care Authority

The Health Care Authority (HCA) contracted with a vendor for an Information System Replacement Project (ISRP) originally scheduled for completion in June 2003. In mid-January 2004, the Health Care Authority sent a letter to the vendor providing formal notice that the vendor has failed to meet its contract obligations and HCA intends to terminate the contract in 30 days, unless all contract obligations are met by that date. If the contract obligations are not met by mid-February, the department will incur additional costs above those budgeted to remain on the existing information systems through the remainder of the biennium. This cost is expected to be \$1.1 million in Other Funds.

Dept. of Community, Trade and Economic Development; Major Economic Development Project

Because of changes in the Boeing plan for the 7E7 Dreamliner aircraft, there is no longer a need for \$4,535,000 to support a state facilitation and management function for the large cargo freighter program. The agency still requires \$715,000 in General Fund – State (GFS) for the Project Office: \$435,000 for project staff, \$250,000 for outside consulting expenses, and \$30,000 for an economic impact analysis.

Agency Designation for Employment Resource Center Funding

Because of the use of Reed Act revenues, funding for the development of an Employment Resource Project is moved to the Employment Security Department.

We are also aware of the possibility of GFS debt service savings related to February refunding of bonds, but do not have confirmation of any exact dollar amounts.

Please do not hesitate to contact me or my staff if you have any questions.

[Attachment](#)

cc: David Schumacher, Senate Ways and Means Committee
Mike Wills, Senate Ways and Means Committee
Mike Groesch, Senate Highways and Transportation Committee
Victor Moore, House Appropriations Committee
Dave Johnson, House Appropriations Committee
Charlie Gavigan, House Capital Budget Committee
Gary Lebow, House Transportation Committee
Jerry Long, House Transportation Committee